

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1044 - HB 1397**

February 26, 2019

**SUMMARY OF BILL:** Exempts the following types of real estate transfers from the real estate transfer tax: (1) a transfer where the transferor is a member, stock holder, or partner; the transferee is a limited liability company, a corporation, or a partnership; and the real estate so conveyed served as a capital contribution to the business entity; or (2) a transfer where the transferor is a limited liability company, a corporation, or a partnership; the transferee is an existing member, stock holder, or partner, respectively; and the real estate so conveyed serves as a distribution from the business entity.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$4,013,300**

**Decrease Local Revenue - \$98,700**

Assumptions:

- According to the Department of Revenue (DOR), FY17-18 real estate transfer tax collections were \$249,648,606.
- The collection growth rate for FY18-19 is estimated to be 4.5 percent and for FY19-20 is estimated to be 5.08 percent.
- Total real estate transfer tax collections in FY18-19 are estimated to be \$260,882,793 (\$249,648,606 x 1.045).
- Total real estate transfer tax collections in FY19-20 are estimated to be \$274,135,639 (\$260,882,793 x 1.0508). This number is assumed to remain constant into perpetuity.
- Passage of this legislation is estimated to result in a 1.5 percent reduction of total real estate transfer tax collections.
- A recurring decrease in real estate transfer tax collections estimated to be \$4,112,035 (\$274,135,639 x 1.5%).
- Pursuant to Tenn. Code Ann. § 67-4-409(d)(2)(A), county registers are entitled to retain as commission five percent of real estate transfer taxes collected.
- A recurring decrease in state revenue estimated to be \$3,906,433 [\$4,112,035 x (100% - 5%)].
- A recurring decrease in local revenue estimated to be \$205,602 (\$4,112,035 x 5%).
- Pursuant to Tenn. Code Ann. § 67-4-409(d)(2)(B), 52 percent of the 5 percent commission must be remitted to state treasurer and credited to the General Fund.

- A recurring decrease in state revenue remitted to the General Fund of \$106,913 (\$205,602 x 52%).
- The total recurring decrease in state revenue is estimated to be \$4,013,346 (\$3,906,433 + \$106,913).
- The total recurring decrease in local revenue is estimated to be \$98,689 (\$205,602 - \$106,913).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb